

March 3, 1997

BILL ANALYSIS

TO: Members, Committee on Trade and Economic Development

FROM: Kenny Pittman, Research Analyst (786-7392)

RE: **HB 2192 - Financing a stadium and exhibition center and technology grants.**

BACKGROUND:

A public facilities district may be created in any county by the county legislative authority. A public facilities district is authorized to acquire, construct, own, remodel, maintain, equip, reequip, repair, and operate sports facilities, entertainment facilities, and convention facilities. A public facilities district is governed by either a five or seven member board of directors that are appointed by the county legislative authority. There are currently there are two public facility districts in the state; one in Spokane County for a sports and entertainment arena and one in King County for the new baseball stadium.

Sales tax is imposed on retail sales of most items of tangible personal property and some services. Use tax is imposed on the use of an item in this state, when the acquisition of the item has not been subject to sales tax. The combined state and local sales and use tax rate is between 7 percent and (beginning April 1) 8.6 percent, depending upon location.

The State Lottery Commission administers several games of chance that are collectively called the State Lottery. The commission is directed by statute to operate the lottery to "produce the maximum amount of net revenues for the state consonant with the dignity of the state and the general welfare of the people."

Cities and counties may impose a tax of up to 5 percent on admissions to events except elementary and secondary school events. The county tax may not apply within cities that impose the tax.

The rental of cars in King County is subject to state and local retail sales tax, a 5.9 percent state car rental tax, a 1 percent county car rental tax and a 2 percent car rental tax for the baseball stadium that begin on January 1, 1996. The total car rental tax rate in King County is currently 17.1 percent.

A special 2 percent sales tax on hotel-motel room rentals was authorized in 1967 for King County to build the Kingdome. The tax is credited against the state sales tax, therefore the total amount of tax paid by the consumer is not increased as a result of the basic hotel-motel tax. Revenue that exceeds the amount needed to pay the bonds on the Kingdome is divided between: 75 percent for arts, heritage or cultural museums or other arts programs; and 25 percent for stadium capital improvements, youth sports programs, acquisition of open space or promotion of tourism. In the year 2001, these percentages become 70 and 30 percent respectively. In King County, this tax is scheduled to expire in 2012. At that time, cities in King County will be able to levy their own 2 percent hotel-motel tax that is credited against the state tax.

Property owned by federal, state, or local governments is exempt from the property tax. However, private lessees of government property are subject to the leasehold excise tax. The purpose of the tax is to impose a tax burden on persons using publicly-owned, tax-exempt property similar to the property tax that they would pay if they owned the property. The tax rate of 12.84 percent is imposed on the amount paid in rent for the public property.

SUMMARY:

A state, local and private financing package for the construction of an open-air stadium and exhibition facility and a program of education technology grants is created.

Public Facility District

A new Public Facility District (PFD) is created in county with a population of at least one million to determine the site, make the final design and specification determinations and structure the financing for the stadium and exhibition center. The PFD is governed by a 5 member board of directors appointed by the Governor with one appointee recommended by the Speaker of the House of Representatives and one by the Majority Leader of the Senate. The PFD may accept the Kingdome property, but not its outstanding debt. The PFD is authorized to sell the bonds to finance the stadium and exhibition center project.

The legislative authority of any county with a population of 500,000 or more may create a PFD for the purpose of developing a stadium and exhibition center, if the 2.5 percent car rental tax

is not adopted by June 24, 1997 by a county with a population of at least one million.

The PFD is authorized to (1) contract with the professional football team for design, engineering, and other professional services without using the request for proposal process; (2) enter into a development agreement to have the professional football team become the overall developer of the stadium and exhibition center facility without a formal bid process; and (3) enter into a contract for professional services from the professional football team without competitive purchasing requirements.

Revenue Sources

State Sources

A county that has authorized the 2.5 percent car rental tax may impose a sales and use tax at a rate of .016 percent beginning January 1, 1998. This tax is credited against the state sales and use tax, therefore consumers will not see an increase in tax. The tax and credit expire when the bonds are retired, but not later than 23 years after the tax is first collected.

The Lottery Commission is directed to conduct games with themes related to the activities at the stadium and exhibition center. The operator of the stadium will provide the lottery with in-kind advertising, sponsorship or prize promotions valued at one million dollars annually. The Lottery Commission will distribute six million dollars in 1998 to the stadium and exhibition center account. The amount of the distribution will increase by 4% each year. The distributions will end when the bonds are retired, but no later than 2020.

A new statewide 10 percent tax is imposed on in-state sales at wholesale of sports memorabilia and sports-licensed goods. If the tax is not paid at the wholesale level, the tax is imposed on the possession for sale or use of sports memorabilia or sports-licensed goods in this state. The tax does not apply to successive sales in which the tax has been previously imposed and collected on the same items; or items that are sold or used outside the state. The approval of the wholesale tax is subject to voter approval at a state wide special election on June 3, 1997.

Local Taxes

A county with a population of at least one million may authorize an addition 2.5 percent car rental tax between June 4, 1997 and June 23, 1997, to be used for the design and construction of the stadium and exhibition center facility. The tax may not begin before January 1, 1998 and expires when the bonds are retired,

but no longer than 23 years after the tax is first collected. If the county does not authorize this tax, counties with populations of 500,000 or more may impose the tax before September 1, 1998.

A county that authorized the 2.5 percent car rental tax may impose a 5 percent tax on the admissions to events in the new stadium and exhibition center and a 10 percent tax on parking at the new facility. After the bonds are retired, these revenues may be used to fund repair, reequipping and capital improvement of the stadium and exhibition center facilities.

Other Provisions

A retail sales and use tax exemption is provided on the costs of constructing the stadium and exhibition center facility. The exemption applies to labor and services, material and supplies, rental of equipment, and other retail transactions associated with the design and construction of the stadium and exhibition center facility.

A leasehold excise tax exemption is provided for public or entertainment areas of the stadium and exhibition center facility. The exemption does not apply to the private offices or locker rooms.

The revenues may be collected beginning January 1, 1998 if the following conditions have been met: (1) the tax on sports memorabilia and licenced-sports goods has been approved by the voters, (2) the football team is locally owned and controlled, (3) the Public Facilities District (PFD) has been created.

Before bonds may be sold for the construction of the stadium and exhibition center facility, the PFD must certify that (1) that the team will play its home games in the new stadium for the life of the bonds; (2) the team is responsible for cost overruns; (3) the team has committed at least \$100 million through personal seat licenses (PSLs) or equity contributions toward the cost of the stadium and exhibition center facility; (4) seven percent of the seats in the stadium are "affordable;" (5) one luxury box will be made available as a free upgrade to purchasers of certain tickets; and (6) that if the team is sold, at least 25 percent of the profit goes to the retirement of the public debt of the stadium. If the bonds are paid off, then the funds will go toward future stadium and exhibition center facility maintenance.

The state's alternative public works methods are authorized for the stadium and exhibition center facility project until December 31, 2000.

The state will not make additional contributions based on revised cost or revenue estimates, cost overruns, unforeseen circumstances or any other reasons.

Technology Grants

The technology grant account is created in the custody of the state treasurer. The Superintendent of Public Instruction may authorize expenditures from the account. The account is not subject to appropriation.

Revenues in excess of the amount required to meet the annual debt obligations on the stadium and exhibition center facility project are placed in the technology grant account. Expenditures from this account go to school districts for K-12 classroom computer hardware, software, on-line services and equipment and teacher training with respect to these acquisitions. Funds are awarded on a competitive basis to those school district that (1) have ongoing programs in technology-assisted learning; or (2) are identified by the center for the Improvement of Student Learning; and (3) have plans and means to evaluate student improvement due to technology-based learning strategies.

Funds from the technology grant account may be supplemented by (1) private financial contributions; (2) in-kind contributions through partnerships with technology companies, educational service districts, institutions of higher education, community and technical colleges, or any other organization; and (3) other school district funds.

Kingdome Debt

The expiration of the current 2 percent Hotel/Motel tax in King County is extended from 2012 to 2015 and the revenues may be used to refinance the Kingdome debt, in addition the current county imposed 1 percent car rental tax may also be used to refinance that debt. This provision only applies if the county imposes the 2.5 car rental tax.

Appropriation: None.

Fiscal Note: Requested February 25, 1997.

Effective Date: Sections 1 through 13 and 15 through 36 take effect immediately. Section 14 takes effect after approval and certification of the public vote on June 3, 1997.